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Poultry and Products

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Report Highlights:

The best prospects for U.S. exporters appear to be in supplying day-old chicks (DOC), broiler grandparent stock, frozen turkey/turkey parts and frozen chicken parts. There are also limited opportunities for sales of processed poultry meat. Joint-venture investments in the production of higher quality processed/deli meat may also be an area worth exploring by U.S. business investors.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Malaysia is self-sufficient in meeting the country's demand for chicken meat. Malaysia has one of the highest per capita consumption rates in the world for chicken (32.5 kg).

The best prospects for U.S. exporters appear to be in supplying day-old chicks (DOC), broiler grandparent stock, frozen turkey/turkey parts and frozen chicken parts. There are also limited opportunities for sales of processed poultry meat. Joint-venture investments in the production of higher quality processed/deli meat may also be an area worth exploring by U.S. business investors.

(NOTE: The data in PSD table reflects the broiler industry of Malaysia. Previous reports reflected only the Peninsular Malaysia's production only, where the bulk of the country's poultry production and consumption takes place).

Exchange rate: US1.00 = RM3.80 since 1998.

Production

1. Poultry meat - Broiler

-- Breeding Stock (Broiler)

The Malaysian poultry sector relies solely on high quality exotic breeds from the United States, Europe, Canada, and Australia. According to a survey conducted by the Malaysian Department of Veterinary Services (DVS), the standing broiler parent stock population rose 2.9 percent to 4 million birds in 2001. There are five fully integrated and twenty non-integrated parent stock breeder farms in the country. The principal breeds are Avian (41%), Arbor Acres (26%), Cobb (17%), Ross (6%) and Shaver (5%). The domestic industry is about 67 percent self-sufficient in the production of parent stock. Since there are only two grandparent farms (Avian and Arbor Acres), about 33 percent of the day-old parent stock were imported from Thailand, North America and the EU.

The broiler production for the whole of Malaysia was about 452 million birds in 2001. In Peninsular Malaysia, the broiler breeding companies produced about 397 million-day-old chicks in 2001 and the production is expected to reach 408 million day-old chicks in 2002. About 11.8 million day-old chicks were imported from Thailand in 2001, compared to 4 million in 2000. Over the years, integrators have been increasing their market share, pushing out the smaller non-integrated breeding farms. The contribution by integrators to the total day-old chicks production was about 60%.

Table 1: Imports of day-old chicks:

Countries	Quantity (Unit)	
	2000	2001
Thailand	4,031,428	11,761,181
U.S.A.	1,657,088	1,528,180
Netherlands	428,401	1,430,696
United Kingdom	795,664	665,167
Singapore	735,131	543,200
France	341,590	527,033
Germany F.R.	215,955	493,714
Indonesia	679,502	394,829
New Zealand	90,415	168,195
Korea, Rep. of	0	101,420
Belgium	28,590	85,769
Denmark	49,478	74,550
China	131,301	21,000
Japan	35,305	18,000
Taiwan	1,725	4,887
Philippines	28,704	0
Switzerland	9,275	0
India	27,000	0
Canada	0	0
--Total	9,286,552	17,817,821

Source: The Department of Statistics, Kuala Lumpur.

-- Broiler Meat

In 2001, ex-farm price of live broilers was fluctuating between RM2.00/kg to RM3.50/kg. Cost of production of broilers was ranging between RM2.53 /kg to RM 2.89 /kg. It was reported that the lower ex-farm price and higher cost of production of broilers are causing difficulties for producers to maintain operations. The surge in imports of chicken meat was also affecting the local broiler industry. The outlook for broilers producers in 2002 does not seem to be positive.

2. Poultry meat - Turkey

There is no commercial production of turkey in Malaysia.

Consumption

Malaysia has one of the highest per capita consumption rates in the world for chicken. Per capita consumption of chicken is reported at 32.5 kg. Chicken meat is the most popular and cheapest source of meat protein among Malaysians, in large because there are no dietary prohibitions and religious restrictions against chicken consumption.

The surge of quick-service-restaurants (QSR) such as Kentucky Fried Chicken (KFC), McDonald's, A&W, Kenny Rogers Roasters, Taza Bar-B-Q Chicken, Nando's Chickenland (a South-African based chain) have encouraged strong growth in chicken consumption. KFC through its subsidiary company, Ayamas Food Corporation, supplies chicken to all its 277 restaurants throughout the country. Ayamas also operates retail stores selling dressed and ready-to-serve chicken meals. These take-away fares are very popular with working women who have little time to prepare their family meals.

Home-grown fast food chains such as Marrybrown, Sugarbun, Nineteen O One, Ball Fastfood, all with chicken menus similar to those of KFC, have also expanded, particularly to smaller cities. These local chains creatively incorporate local preparation in their menu. Business in these local chains is reported to be doing well.

Traditionally, demand for turkey is high during Thanksgiving and Christmas seasons. Hotels feature roast turkey in their menu as part of the celebration offering. High-end retail outlets offer cooked turkeys with stuffings to consumers who wish to order turkey ready-to-eat. However, the trend in turkey consumption is changing especially among Malaysian urban dwellers. With more Malaysians traveling overseas and exposed to western-style foods, they are now more inclined to purchase turkeys for preparation in their own homes. Hotel chefs are also instrumental in introducing roast turkey including Indian style turkey with curry rice stuffings, Malay-style turkey in banana leaf and Chinese barbecued turkey have been included in the menus of food and beverage outlets of 5-star hotels. Retail promotions featuring turkey parts and cooking demonstrations using turkeys in everyday cooking have helped Malaysian consumers appreciate the bigger and meatier bird.

Trade

Since 1983 the Government of Malaysia began to limit imports of frozen chicken into Peninsular Malaysia by instituting import licensing. The action was taken to protect domestic chicken producers. The states of Sabah and Sarawak in East Malaysia implemented similar restrictions on chicken imports in 1991.

Chicken parts are imported periodically depending on local supply situations. Some are shipped through Singapore for East Malaysian states of Sabah and Sarawak. In 2001, total imports of frozen chicken parts were at 34,381 metric tons. Total imports for 2000 were at 12,328 metric tons. The major suppliers were China (9431 MT), Denmark (8032 MT), Netherlands (7047 MT) and Thailand (6691 MT). These imports mainly cater to the further processing industry. It was reported in a local daily (dated May 2002) that the price for imported boneless chicken was at RM5 per kilogram compared to the local ones which was at RM7.

Malaysia has a robust further processing industry. Chicken frankfurters, cocktail sausages, burgers and nuggets that were exclusively imported before, are now locally produced. Major players, who are also integrators, invest heavily on brand names for their further processed products such as *Ayamas* (by Ayamas Food Corporation), *Ayam Dindings* (Dindings Poultry), and *Farm's Best* (Sinmah Food Industries). Local processed products dominate about 90% of the market and it is difficult for imported processed products to compete on the basis of price. However, there have been exceptions. Price surveys have shown that a specific brand of US chicken frankfurters was retailed at RM2.99 in a local hypermarket compared to a locally produced chicken frankfurters which was at RM3.50 in the same outlet. Coupled with promotion and sampling, imported further processed products such as frankfurters will do well.

Since there is no commercial production of turkey in Malaysia, all turkey meat is imported. In 2001, imports of frozen whole turkey and turkey parts totaled 434 metric tons with CIF value of US\$0.7 million. The United States was the only significant supplier capturing more than 96% of the market.

There is a growing niche market for turkey/processed turkey products and this should present opportunities for U.S. suppliers. U.S. exporters should consider establishing a good relationship with a local importer/distributor and conduct jointly funded promotions to increase retailer and consumer awareness and acceptance of these products. Generic market development activities funded by USA Poultry and Egg Export Council, as well as branded promotions by U.S. companies, should be stepped up at the consumer/retail level.

Marketing Infrastructure/Channels

About 75% of chickens in the country are sold in the wet markets as most Malaysian consumers still perceive freshly slaughtered chickens are fresher compared to frozen ones. Though local councils are enforcing health laws to prohibit chicken slaughter in wet markets, wholesalers arrange to slaughter the birds in selected areas and bring dressed chicken to the marketplace. The remaining 25% of sales occur in modern supermarkets and mini markets as well as numerous retail outlets operated by some of the integrated poultry companies.

Further-processed products, both local and imported, are distributed to wholesalers, supermarkets, hypermarkets, catering institutions, restaurants and hotels. Integrators such as KFC Holdings, Dinding Poultry and Sinmah Resources have their own marketing and distribution arms. Since processed products are not subject to government price controls, other integrators are moving into the business. Processed products like nuggets and frankfurters come in colorful, attractive packages to attract customers, especially children. Packages of one-kilo and 340-grams are popular consumer sizes.

Some of the locally processed poultry products are exported to other ASEAN markets such as Philippines, Brunei and Singapore. In view of the implementation of AFTA (Asean Free Trade Area) next year, some integrators are upgrading their processing facilities to compete with major poultry players from the region. Some integrators also looked at the implementation of AFTA as an opportunity for increase in exports.

Currently, there is no import duty on poultry meat. However, import permits from the Malaysian Department of Veterinary Services are required for all shipments of poultry and eggs products into the country.

All poultry shipments must be accompanied by appropriate U.S. Department of Agriculture documentation. Since Malaysia has a large Muslim population, all poultry products must be certified "halal" and must originate from slaughterhouses which have been inspected and approved by the Malaysian veterinary and religious authorities. Currently, there are twenty-eight U.S. poultry facilities approved by the Malaysian authorities. U.S. suppliers who are interested in exporting to Malaysia should contact USA Poultry and Egg Export Council (USAPEEC) to coordinate inspection visits by Malaysian authorities to approve their facilities for "halal" exports to Malaysia.

PSD for Poultry, Meat, Broiler

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Broiler				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	4	5	5	5	0	6
Slaughter (Reference)	377	452	384	462	0	470
Beginning Stocks	22	0	25	0	24	0
Production	685	813	700	832	0	846
Whole, Imports	0	0	0	0	0	0
Parts, Imports	32	35	34	34	0	34
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	32	35	34	34	0	34
TOTAL SUPPLY	739	848	759	866	24	880
Whole, Exports	1	0	1	1	0	0
Parts, Exports	4	4	5	5	0	5
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	5	4	6	6	0	5
Human Consumption	709	844	729	860	0	875
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	709	844	729	860	0	875
TOTAL Use	714	848	735	866	0	880
Ending Stocks	25	0	24	0	0	0
TOTAL DISTRIBUTION	739	848	759	866	0	880
Calendar Yr. Imp. from U.S.	2	2	3	3	0	3

Export Trade Matrix for Poultry, Meat, Broiler

Export Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time period	2001 Jan-Dec; 2002 Jan-Apr	Units:	Metric Ton
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Singapore	1589	Japan	522
Hong Kong	649	Singapore	205
Brunei	304	Brunei	53
Japan	144	Indonesia	40
Philippines	122	Hong Kong	24
Indonesia	49		
Total for Others	2857		844
Others not Listed			
Grand Total	2857		844

Import Trade Matrix for Poultry, Meat, Broiler

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Time period	2001 Jan-Dec; 2002 Jan-Apr	Units:	Metric Ton
Imports for:	2001		2002
U.S.	1659	U.S.	375
Others		Others	
China	9431	Netherlands	3838
Denmark	8032	Denmark	3768
Netherlands	7047	China	2956
Thailand	6691	Thailand	2372
France	780	Germany	635
Germany	608	France	308
Dominica	27	India	106
Djibouti	26	Belgium	78
Pakistan	26		
U.A.E.	26		
Total for Others	32694		14061
Others not Listed	28		1
Grand Total	34381		14437

Prices Table for Poultry, Meat, Broiler

Prices Table			
Country	Malaysia		
Commodity	Poultry, Meat, Broiler		
Prices in	Ringgit	per uom	Kilogram
Year	2001	2002	% Change
Jan	3.5	3.5	0.00%
Feb	3.3	3.5	6.06%
Mar	3.5	2.6	-25.71%
Apr	2.8	2.5	-10.71%
May	3	2.3	-23.33%
Jun	3.2	3.1	-3.12%
Jul	3.04	3.1	1.97%
Aug	2.5		-100.00%
Sep	2.9		-100.00%
Oct	2.78		-100.00%
Nov	3		-100.00%
Dec	3.22		-100.00%
Exchange Rate	3.799	Local currency/US \$	

PSD Table for Poultry, Meat Turkey

PSD Table						
Country	Malaysia					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
Whole, Imports	0	0	0	0	0	0
Parts, Imports	1	1	1	1	0	1
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	1	1	1	0	1
TOTAL SUPPLY	1	1	1	1	0	1
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	1	1	1	1	0	1
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1	1	1	1	0	1
TOTAL Use	1	1	1	1	0	1
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1	1	1	1	0	1
Calendar Yr. Imp. from U.S.	1	1	1	1	0	0

Import Trade Matrix for Poultry, Meat, Turkey

Import Trade Matrix			
Country	Malaysia		
Commodity	Poultry, Meat, Turkey		
Time period	2001 Jan-Dec; 2002 Jan-Apr	Units:	Metric Ton
Imports for:	2001		2002
U.S.	391	U.S.	54
Others		Others	
Denmark	28		
South Africa	12		
Australia	3		
Total for Others	43		0
Others not Listed			
Grand Total	434		54